

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 EUR-12 ISO-00 IO-10 L-02 H-02 AF-06

EA-06 NEA-09 OIC-02 AGR-05 SP-02 AID-05 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04

SIL-01 PRS-01 PA-01 USIA-06 TAR-01 (ISO) W

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P R 141405Z APR 75

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC PRIORITY 8655

AMEMBASSY PARIS

INFO AMCONSUL RIO DE JANEIRO

AMEOCNSUL SAO PAULO

C O N F I D E N T I A L BRASILIA 2805

PARIS PASS ENDERS

E.O.11652: GDS

TAGS: ETRD, EAGR, BR

SUBJECT: COFFEE: GOB VIEWS ON BILATERAL DISCUSSIONS IN WASHINGTON

REF: A. STATE 61203 B. STATE 78040 C. RIO 2529 D. BRASILIA 2700

1. DURING THE PAST TWO WEEKS, EMBASSY DISCUSSED WITH GOB OFFICIALS BRAZIL'S REACTION TO THE RECENT DISCUSSIONS IN WASHINGTON ON A NEW COFFEE AGREEMENT. AMBASSADOR DISCUSSED SUBJECT WITH MINISTER OF INDUSTRY AND COMMERCE SEVERO GOMES AND ECONOMIC COUNSELOR HAD OCCASION TO RAISE SUBJECT WITH MINISTER SOUTO MAIOR, AMBASSADOR CABRAL DE MELLO, AND MINISTER SERGIO BATH(THE LATTER IN HIS CAPACITY AS ACTING CHIEF OF THE FONOFF ECONOMIC DEPARTMENT DURING CABRAL DE MELLO'S ABSENCE).

2. IN ESSENCE, THESE OFFICIALS SAID:

A. BRAZIL EXPECTS TO RAISE COFFEE DURING SECRETARY'S FORTHCOMING
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VISIT, ALTHOUGH PERHAPS ONLY IN GENERAL TERMS: (COMMENT: POSSIBILITY

EXISTS,

HOWEVER, THAT GOB MAY SINGLE ONE OR TWO KEY ISSUES, SUCH AS PRICE ADJUSTMENT ISSUE FOR A MORE DETAILED PRESENTATION:)

B. ALTHOUGH SOME OF THE OFFICIALS CHARACTERIZED THE TALKS AS AT TIMES "DIFFICULT," THE GENERAL REACTION WAS STRONGLY POSITIVE. THE OFFICIALS CLAIMED THERE HAD BEEN SOME UNCERTAINTY WITHIN GOB ABOUT US ATTITUDE TOWARD NEW AGREEMENT, IN VIEW OF THE VERY LOW PROFILE WHICH US HAD BEEN MAINTAINING IN THE LONDON DISCUSSIONS. THE WASHINGTON TALKS HAD CONVINCED GOB THAT US, WHILE NOT PREPARED TO MAKE A DEFINITIVE COMMITMENT AT THIS TIME, WAS SERIOUSLY INTERESTED IN NEW AGREEMENT. THIS KNOWLEDGE ENABLED GOB TO TRY DIFFICULT TASK OF SEEKING PRODUCERS AGREEMENT ON A COMMON APPROACH:

C. IT IS IMPORTANT THAT US SPELL OUT ITS RESERVATIONS ON THE BRAZILIAN CONCEPT AND OFFER SPECIFIC COUNTERPROPOSALS. GOB OFFICIALS ASSERTED THAT US HAD EXPRESSED RESERVATIONS IN VERY BROAD TERMS ABOUT BRAZILIAN SCHEME BUT HAD NOT CLARIFIED HOW THESE GENERAL RESERVATIONS TRANSLATED THEMSELVES INTO MODIFICATIONS OF THE SPECIFIC FEATURES OF A NEW AGREEMENT:

D. REVIEW OF PRICES: GOB OFFICIALS ALLEGED THAT CURRENT BRAZILIAN POSITION IS MOVING AWAY FROM RIGID INDEXATION FORMULAS PROPOSED LAST WINTER. HOWEVER, GOB CONTINUES TO BELIEVE THAT ANNUAL REVIEW OF PRICES SHOULD BE GUIDED BY SOME QUANTITATIVE BENCHMARKS (WHICH WOULD NOT NECESSARILY HAVE TO BE BINDING); WITHOUT SUCH GUIDE POSTS ANNUAL REVIEW WOULD BECOME A STRICTLY "POLITICAL" BARGAINING EXERCISE. EXPERIENCE WITH THE PREVIOUS COFFEE AGREEMENT, THEY ALLEGED, SHOWED THAT THIS WAS UNDESIRABLE:

E. FINANCING OF STOCKS: GOB CONTINUES TO BELIEVE THAT PRODUCERS SHOULD NOT BE SOLELY RESPONSIBLE FOR FINANCING STOCKS, WHICH WOULD BENEFIT CONSUMER AS WELL AS PRODUCER COUNTRIES. SOME WAY SHOULD BE FOUND TO SHARE THIS BURDEN, PERHAPS THROUGH INVOLVEMENT OF SOME INTERNATIONAL INSTITUTION SUCH AS THE IMF:

3. WITH RESPECT TO NEGOTIATING SCENARIO, GOB OFFICIALS EMPHASIZED THAT THEY HOPED US WOULD MAKE SPECIFIC PROPOSALS IN THE FORTHCOMING LONDON MEETINGS SO THAT THEY COULD BE USED BY COUNTRY DELEGATIONS FOR IN-DEPTH REVIEW OF NATIONAL POSITIONS IN CAPITALS PRIOR TO JUNE NEGOTIATIONS. THEY HELD OUT POSSIBILITY THAT GOB WOULD SEEK FURTHER BILATERAL TALKS, IF REQUIRED, CONFIDENTIAL

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AND MADE PITCH FOR CLOSER BILATERAL CONSULTATIONS BETWEEN THE TWO DELEGATIONS AT LONDON. US PLANS AS REPORTED REFTEL B APPEAR TO BE VERY MUCH IN LINE WITH BRAZILIAN EXPECTATIONS AND WERE WELCOMED BY OUR INTERLOCUTORS. CRIMMINS

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